OCCASIONAL PAPERS

ISSUED BY

The Bi-metallic League,

No. 2.

THE

SILVER QUESTION.

ADDRESS

DELIVERED BY

MR. H. R. GRENFELL,

(Ex-Governor of the Bank of England),

AT

BIRMINGHAM,

MAY 28th, 1886.

2nd EDITION, WITH APPENDIX ENLARGED.

BIRMINGHAM:

PRINTED BY BUCKLER BROTHERS, YORK PASSAGE, HIGH STREET.

ERRATUM.—p. 22, line 39, for "ounce" read "pound."

"In the second essay of the volume before us, entitled, 'Gold Supply: the Rate of Discount and Prices'—an essay not previously published—Mr. Giffen deals with the complicated and difficult problem of the appreciation of gold. That the scarcity of gold should be the cause of the great fall in prices, if not generally understood, is at least generally accepted. When all commodities are exchanged against gold, and when gold grows scarcer, it is obvious that those who want gold, that is, those who want to sell, must give more commodities for gold,—or, in other words, must take a lower price. But why, it is asked, has gold become scarcer? No one eats gold, no one destroys gold. It is being found every day, and if there was enough ten years ago, why is there not enough now? To this the answer (an answer true to demonstration) is,—In the first place, much more gold is wanted now than was wanted ten years ago. Germany, America, and Italy, which at one time did not employ it, now use immense quantities. In the second place, the annual find is not now sufficient to make up for the wear and tear, and for the increased demand each year, owing to the increasing wealth and the increasing population of the world. The figures which show that under present circumstances gold must become scarcer still, and prices fall still lower, are very simple, and can easily be stated. Taking Mr. Ottomar Haupt's calculation, there is in use in the world £700,000,000 of gold. The present annual produce of gold is estimated at less than 20 millions. Of these 20 millions, five, according to Mr. Giffen, and ten, according to Mr. Soetbeer, are each year required for use in the arts. But Mr. Giffen calculates that, in order to preserve the existing relation between this gold store of 700 millions and the growing population and wealth of the world, an increase of 2 per cent. *per annum* would be necessary. That is, 14 millions would be needed each year to keep up the stock of 700 millions. But taking the lower estimate of what is needed for the arts—namely, five millions—and adding to it the yearly demand to meet the increase of wealth and population, we get a sum which would certainly absorb the annual supply, and probably do more than absorb it. That being the case, the volume of gold in the world will constantly be altering its relation to commodities, and we shall have a downward tendency of prices.—lower and lower values for everything, from rupees to rack-rents. Mr. Giffen, after the admirably clear and convincing statement of the gold problem which we have here attempted to summarise, goes on to show how little can in practice be expected from 'the extension of economising expedients' to do away with the pressure on gold. Content, however, with a statement of the case, *he does not in this essay attempt to discuss the effects of the state of things described, or to suggest remedies.* The words, however, with which he closes his essay are full of meaning, and require the gravest attention from English statesmen:—

'Many more things besides the betterness or worseness of trade are involved. The social effects of a fall in prices and wages continued from generation to generation, are great and pervading, as we see in the present fall of rents, the inelasticity of the national revenue, and the increasing burden of all debts,—the national debt and the debts of local authorities included. Nice problems seem also likely to be raised with regard to a revisal of railway rates and other fixed charges in the State concessions of monopolies. The problems are, in truth, endless which at bottom are finally dependent on this question of the annual gold supply and the probable demands upon it.'

with such a passage before him, how readily could the bimetallist take up the text and preach the salvation which lies in his dogma. 'To supply,' he would say, 'the deficiency of circulating medium, to meet the demand for coin, you have ready to your hand the other precious metal. By an agreement of the nations, fix a rate at which in every country gold and silver shall circulate, and be concurrently legal tender, and thus coin your silver into gold. Only put silver to its proper use again, and the *depression of industries, the falling prices, and the social troubles will all pass away as if they had never been.*'"—*Supplement to Spectator, 10th July, 1886.*

The India Council allotted their demand-drafts on the Presidencies last week, at the rate of 1*s.* $5\frac{1}{16}$*d.* per rupee, and were unable to sell all they had to offer even at this price. This makes a loss of five per cent. on the Budget estimate of 1*s.* 6*d.* per rupee, and assuming that the average rate for the year be no lower, the estimated surplus of the India Budget, 182,000*l.*, will be converted into a deficit of 484,000*l.*—*World, July 14th, 1886.*

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Bi-metallic League.

OBJECT.

"The object of the League will be to urge upon the British Government the necessity of co-operating with other leading Nations for the establishment, by International Agreement, of the free coinage of Gold and Silver, at a fixed ratio."

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HENRY H. GIBBS.

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Secretary.

GEORGE J. FRASER, 34, Leadenhall, London, E.C.

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STATEMENT.

Until the year 1873 the ratio at which Gold and Silver were interchangeable was steady, because the Mints of France and other European countries were open to all the world for the unlimited coinage of both metals on the fixed basis of 15½ Silver to 1 of Gold.

Owing to this, the par of exchange between Gold and Silver Standard countries kept practically uniform, and Silver, as fully as Gold, performed the functions of money throughout the world.

The action of England in 1816, in adopting the single Gold Standard did not disturb the steadiness of the ratio between the two metals, so long as the Continental Mints remained open to Silver; but when Germany, in 1873, decided to adopt the single Gold Standard, the old equilibrium was destroyed, because France and the other Bi-metallic countries, in view of the heavy sales of Silver made by Germany, suspended their free coinage.

This action caused the price of Silver, as quoted in Gold, to fall, and it has since fluctuated violently, affecting all international exchanges between Silver Standard and Gold Standard countries. In the case of India the Rupee, formerly worth about 2s., has gradually dropped to 1s. 6d. in English money, with increasing uncertainty as to its prospective exchangeable value as against Gold.

The substitution of Gold for Silver, and the greater amount of exchange work that is in consequence thrown upon the diminishing supplies and stock of Gold, has led to the appreciation of the latter metal, and a fall in prices of commodities, as measured in Gold, which is everywhere visible, and everywhere baneful in its effects upon commerce, as well as upon manufacturing and agricultural industry.

Convinced of the evils resulting from existing conditions of our Monetary System, and of the hindrance to trade and agriculture which are largely due to the disturbed relation between Gold and Silver, we appeal to everyone for co-operation in carrying out the object proposed by the League.

There is every encouragement to press the matter, seeing that America, France, and Germany are willing and eager to co-operate.

These Powers, however, will not move without England, and, under an erroneous conception of the advantages of a single Gold Standard, the English Government till now has stood aloof.

It is necessary, therefore, to promote the intelligent discussion of the subject in this country, and to bring the force of public opinion to bear upon our Government, so that England, instead of being a barrier in the way of an International Convention, may take her due share in the settlement of a question so vital to the well-being of the Empire, and so essential to the interests of Commerce everywhere.

Any further information concerning the League may be obtained from the Secretary, who will also acknowledge Subscriptions and Donations; or from the Hon. Secs. for Birmingham, FREDERICK ASH and J. P. TURNER.

The League will comprise Members and Associates, the Annual Subscription of the former being One Guinea, and the latter 2s.6d.

THE SILVER QUESTION.

A large and influential meeting of the mercantile public of Birmingham and the surrounding district, convened by the Council of the Birmingham Chamber of Commerce, was held on May 28th, 1886, at the Queen's Hotel, to hear an Address from Mr. H. R. Grenfell, Ex-Governor of the Bank of England, on Bi-Metallism, and to discuss the desirability of an international system of recognised bi-metallic currency.

The Chairman (H. W. Elliott): I take this seat to-day by virtue of my office as Chairman of the Chamber of Commerce for the present year and not by any means because I feel that it is a position for which I am suited. There are many gentlemen in the room far more intimately acquainted with this great question than I am and capable of dealing with it more effectively, but, however evident this may be to me and to you, I can assure you that none feel more strongly than I do the great importance of the question upon which we have come together to-day. I don't think anything can exceed the importance of it at the present time, or that it has ever yet come fully home to the minds of the people of England. Before I say another word on the subject of our meeting, I wish to express to Mr. Grenfell how very heartity we welcome him here, and not only the Members of the Chamber of Commerce, but the general mercantile community of the town. (Hear, hear.) He comes as you may easily imagine at some considerable inconvenience from London to talk to us upon a subject on which many of us are quite in the dark, in the hope of enlightening us. This currency question affects very seriously a great commercial community like ours, and the minds of those who have to deal largely with extensive mercantile transactions must long since have been impressed with the magnitude and importance of this subject, and they must also have come to the conclusion that not only does England take no steps to change the existing unsatisfactory state of things, but that England alone of all the large countries in the world positively refuses to discuss the question. This, gentlemen, cannot be right. I think it reflects discredit on manufacturers, merchants and other commercial men who are sufferers from the present system, and it is a still greater discredit on our appointed Parliamentary representatives that we should quietly sit down and allow this state of things to continue. In my opinion some of the matters which are engaging and have for some time past engaged the attention of Parliament are comparatively small beside this currency question. I do hope that the time is not distant when matters of such importance will receive, if not serious attention, at least some consideration from our Government, and it is with this object that Mr. Grenfell comes here to-day to explain this question with reference to the present depression of trade, which unfortunately exists here as in other large manufacturing centres. I am sure that you will agree with me when I say that it cannot be a right state of things as between ourselves

as a large producing country and our great Colonial Dependency, India, that the rate of exchange should amount to something like 28 or 29 per cent. on the total value of the transactions between the two countries. The exchange on the Silver Currency of India, really amounts to that percentage on every article exported from this country to India, and it surely cannot be right that such a bar to commerce should exist between this country and her greatest Dependency. It is in the hope that we may take some action in this matter that Mr. Grenfell is here to-day, and without taking up further time I will at once call upon that gentleman to address you.

Mr. Grenfell: It is certainly not for any one here to thank me for coming to-day, on the contrary, I am extremely obliged to those gentlemen who have been good enough to meet me on this subject of Bi-Metallism and to listen to what I have to say in reference to this most important question. I hope you wont think me egotistical if I venture to begin by assuring you that I am a political economist, what is called a bullionist and a free trader. I admit that some of the most important arguments used by Bi-Metallists are somewhat similar to those which were used on the currency question in former days by those economists who, I think, took their name from this town, and also that some of the arguments used in the statements we make are somewhat similar to those used by Protectionists. I wish for that reason to guard against its being supposed that I am either a Protectionist, or in favour of an inconvertible paper currency, or any of those nostrums which at one time were thought to be cures for evils which then existed, or were supposed to exist. Now what is the difference between those who instituted the gold standard as it exists in this country and the Bi-Metallists? The difference between those persons and ourselves is that we are desirous of seeing an international standard established, whilst they were only occupied with the consideration of a measure which should ensure the perfection of the standard for this country. That is the most important difference and I wish most distinctly to admit, that though now advocating Bi-Metallism, I should in former days have held the same views as those who inaugurated our present standard, and that so far as the interior of this country is concerned I believe it to be a most excellent system; but a large portion of the commerce of this country is transacted with foreign countries, and the task which we think should be set about by our Governors is to devise a system of international standard between this country and foreign countries, which experience has clearly proved might be made just as perfect as that system which has been set up within the range of our own country. I always feel when addressing a meeting upon this question some difficulty in reference to my audience. Some have studied this matter as much or more than I have (indeed, I know that there are some gentlemen in this room who are quite as conversant with it as I am). There are others that have not gone so far into the matter, and again there are eminent members of the commercial body in each town I visit who have not studied the question at all, and have a very natural desire that we should commence at the very beginning.

The first proposition I have to make is—That we have experienced a considerable fall in the prices of all commodities. I suppose that can scarcely be disputed. Not only has a fall in prices taken place in all ordinary commodities, but the fall has taken place since the date when the great changes in the monetary standard took place in other countries. And again it is somewhat curious that the previous rise in prices which lasted till 1873, begun from the period of the gold discoveries between 1845 and 1850.[1] Let us measure the rise and fall by the index numbers of the *Economist;* I hope I may be allowed to make these extracts. Taking these index numbers as a basis, the first period chosen is from the year 1845 to 1850, the index number for which is 2,200. Between that period of 1850 and the year 1873, which was the date of the demonetization of silver by Germany, and the alteration of the French mint prices it rose to 2,947. From 1874 to 1885 the index number has fallen back from 2,947, back again to lower than it was from 1845 to 1850, viz., 2,098. This is sufficient proof not only that a fall of prices has recently taken place, but also that a rise of prices occurred between the time of the gold discoveries and the demonetization of silver by Germany. The next point I wish to make (and it seems somewhat strange that we should have to make such a point at all), is that a fall of commodities is synonymous with a rise in the value of gold. There is no meaning whatever in a fall of prices but a rise in the value of gold. I simply put that in not supposing anyone would dispute it here, but it is necessary to put it in because it has actually been disputed. Then the third proposition is—That from the commencement of the century down to 1873, the French Mint offered a fixed price for silver told in gold, and *vice versa* to an unlimited extent, but on the demonetization of silver by Germany that unlimited offer ceased, and the amount of silver coined in France was restricted, and that from that time to this, though gold and silver coins circulated at a fixed rate in France and the countries of the Latin Union, yet that which was necessary for a complete Bi-Metallic system, viz., the unlimited coinage of silver no longer existed, gold only being allowed to be coined in unlimited quantities; in other words those countries took to what is called a lame standard. The next proposition is this—The French Mint prices from 1801 to 1873, fixing the ratio as laid down by the French Mint law was identical with the price of silver in London. The fact is a complete refutation of the doctrine that the relative price of gold and silver depends upon the cost of production. Looking at the quantity of gold and silver produced from 1801 to 1873, I find that the proportion varied several times, and yet, notwithstanding that, which according to John Stuart Mills' theory ought to have made prices vary, yet, I repeat, notwithstanding that, as long as the French Mint prices existed the average price was 60$\frac{7}{8}$d. each year. This is a most important fact in the evidence we have to give in favor of the proposition we have put forward. It is so important that the whole of our opponents, with one or two exceptions, studiously disregard it and avoid saying anything about it. The next proposition I have is—That as a matter of fact when the mint in France in the year

1873 was closed to silver to an unlimited extent, the price of silver naturally fell away, and a large divergence took place between the values of the two metals, which divergence has grown larger and larger. Added to these phenomena we have the fact that the supply of gold has diminished. The largest amount of the supply of gold in any one year was the year 1852, which was £36,000,000, and it is now less I think than £17,000,000, consequently at the time when gold was relied upon to be an universal standard of value the supply fell off; in other words an increased demand for gold occurred, simultaneously with the falling off in the supply. This increased demand for gold sprang up in Germany, America, Scandinavia, and Italy, that is to say, Germany determined to have a gold standard like ours and a gold circulation. America resumed her cash payments for a few years in gold. Scandinavia took to a gold standard, and lastly Italy resumed her cash payments by means of a gold loan without establishing a gold standard. To sum up, these countries took in that period gold to the amount of nearly £200,000,000 sterling and the whole gold in circulation does not much exceed £800,000,000 sterling. A demand for a quarter of the whole gold of the world thus arose. At the same time the production of silver in proportion to the call for it rose to a much higher point than formerly. Silver which formed the monetary counters of a very large portion of the world fell off in value, while the metal which had previously only formed the counters of this country was suddenly called upon to furnish the counters of these other countries, and therefore rose very much in value. These are all historical facts. I have already admitted that the English system, as far as it went and as long as other countries did not attempt to rival us in the gold standard, was as good as it possibly could be, and that it was very creditable to those eminent economists and statesmen who devised it, and if that supposing we only had to deal with our own affairs, and have nothing to do with other countries, it would be foolish indeed to change it. I am also willing to admit, and I do admit, that the state of things we have met here to-day to consider arises from ill considered changes of foreign governments, and that it is not at all surprising that our own government and our own political economists think that foreign governments should be the first to consider and make up their minds as to the reasons there may be for any further changes, or for retracing their steps, before asking us to assist them. But we have had reason to believe for some time past that these governments have been willing to meet us if we would only meet them in conference, or by diplomatic action, or some other way, and yield some of those positions which our own government seems unwilling even to have questioned. The older economists speak as if the difficulty was no affair of ours at all. The object of this meeting, and the object of the many meetings of a similar character, has been to impress upon or try to persuade Chambers of Commerce to urge upon the Government the consideration of this most important question. You all know public men only occupy themselves with one question at a time, and that public officials have so much to do that unless things are very much flaunted in their faces they are not

likely to go into an intricate problem such as this, till they know whether there is any jumping power (as it is called) behind to make it go. (Laughter.) If Chambers of Commerce and other commereial bodies will only bring this matter under the notice of the Government, then I think it will obtain consideration. I don't think they are very likely to go into this difficult and intricate question, unless it can be shown that the people are very much in earnest about it, or that they will take it up merely for the sake of an academic triumph or success. The first question we have to consider is, are you suffering here, or do you know anything about depression of trade? (Yes.)[2] Of course, if there is no depression of trade, you, like the Government, don't want to go into this currency question for the sake of intellectual amusement or advantage. Then, if there is depression of trade, it is not the first time you have known such a thing, and we must enquire whether there is anything in this particular depression, making it essentially different from previous depressions? And then, we ask further, is it brought about by your monetary standard of value?[3] I am sorry to say that I have lived long enough to recollect three or four of these trade depressions. From 1815 to the present time we have had a great many; indeed, one has occurred almost every ten years. After great inflations of prices, caused by over speculation, great depression of trade follows. Almost every ten years these fluctuations have occurred, and I think the Government were right in refusing to be easily alarmed or aroused when these alterations in trade were observed, seeing that they had generally sprung from natural causes, such as an over sanguine disposition at one time followed by a depressed state of men's minds in another. But the present depression in trade is almost unprecedented in its length and severity. We will attempt to examine and to come to some right judgment on it. Many of you have crossed the Atlantic Ocean, and have observed the great Atlantic rollers, with smaller waves riding, so to speak, upon them. I may venture to compare the decennial depressions to the small waves, and the present depression to the large rollers. I think I may say that we had a long wave of depressed trade and unremunerative operations from the peace of 1815 up to the time of the gold discovery, then a long wave of prosperity up to the demonetization of silver, and a long, trying, dragging trade from 1873 to the present date. (Hear, hear.) At the time of the gold discoveries many people said (although they were not much listened to) that creditors were injured, and that some alteration in the standard should have then taken place for their benefit. The answer to that was that, if the gold discoveries injured anyone, it was accidental, and that it was not a subject for interference. But the new phenomena arose from the actions of certain governments, in having taken arbitrary measures, and could not be wholly attributable to the falling off in the production of gold. This brings us to the enquiry, whether this fall in prices really injures the community at large. Many people say that it must be advantageous to customers to be able to buy things as cheaply as possible. Many people say the working classes get as good or better wages than they used to get, and the fall in prices of all commodities must be to their great advantage. I don't agree with

that. Sooner or later they must feel the effects. It is impossible, however, to dispute the fact that the wages of the working classes, especially in agricultural districts, have risen largely within the last 20 or 30 years, and no one present would like to grudge them this improvement in their condition. I, for one, should be the last person in the world to grudge any man anything of the kind; on the contrary, it is a perpetual source of rejoicing to me. What I deny is that the advance in wages commenced in 1873. In my opinion, they began in 1845, and have been going on uninterruptedly up to the present time. We often hear that this falling off in prices is due, not to the reasons I have already assigned, but to the increase of production. That increase of production, like the improvement in the condition of the working classes, has been going on uninterruptedly since 1845. So has economy in banking, improved systems of telegraphs and carriage, and expansion of inventive effort. But if the working classes don't gain by the fall in prices, I, for one, am unable to say who does gain by it. Certainly there are annuitants and pensioners who may be supposed to gain by this fall in prices, but I cannot help pointing out that annuitants and pensioners are not the working bees of the hive, indeed, I think that Mr. Chamberlain would say that this class neither toils nor spins for the good things they receive. If it is right that one class should be favored at the expense of another, you will, I am sure, admit that those who work should be shown favor rather than those who do nothing for what they receive—the latter are the drones of society. Leaving the question of the benefits derived from this fall in prices I go back to the history of it. I have shown it to be due to the action taken by the German Government in demonetizing silver and substituting a gold standard and circulation for a silver one. I have reason to believe (in fact no one has more reason to believe than I have) that the German Minister, Prince Bismarck, did not know what he was doing at that time. I am bound also to say, that according to the evidence he had before him, he was justified in believing that he was doing the right thing for his country. He wanted to unite the nation, and he thought that the establishment of a similar coinage throughout the German Empire would be one of the means to attain that end. It was one of the great things he did to increase the solidity of his Empire; which is a much better thing to do than that which we are doing here, namely—breaking one up. He also had before him the resolutions of a Conference which took place at Paris in 1867, stating that the establishment of a monometallic gold standard was the only means likely to bring about the unification of the coinage; and he also had a third object in view, and this object was perpetually before him. He believed that the great commercial prosperity of England was due to her monometallic gold standard, and he was anxious then, and is anxious now, to make Berlin or Hamburg the banking centre of the world as London was then, and is at the present time. These are three objects this great and eminent stateman had in view. He had not the slightest idea what the consequences would be to his own country or to the world at large. I believe that Prince Bismarck is now fully aware of

the error which he then committed, and that he sees the evil consequences which have resulted from it. The object Bi-Metallists have in view is, if possible, to unite England with the States of America, the Latin Union, and Germany, for the purpose practically of re-tracing the steps which were taken by the German Chancellor in 1873, and followed with such disastrous effects by the other countries. That is the remedy which we propose, and which we think would be effectual. For a long time no one would listen to us, then those who did listen made answers based on ideas extracted from old works on political economy, more than from the state of present affairs. The last criticisms we have to meet are those by Mr. Giffen, the eminent statistician of the Board of Trade. He read a paper at the Bankers' Institute last week in which he raises three objections to the course which we are desirous of pursuing, which he calls "Bi-Metallic Fallacies." His first objection is to something that is no "Bi-Metallic Fallacy" at all. He objects to any interference by Governments for the purpose of settling questions such as those involved in the scheme for international Bi-Metallism, and argues that such questions do not come within the legitimate scope of Government action. I can only say that may be so in the abstract, but, as all Governments have so interfered from the time of Aristotle's predecessors to the present without interruption, such an idea will I venture to think find support nowhere. What I suppose Mr. Giffen means is that it is unwise for a Government to interfere to the extent of fixing value for silver told in gold. My answer to that is, that if it is good for one it is good for both. If it is good for a Government to interfere with the gold coinage, it is equally advisable that they should deal with the silver coinage. There is no use in objecting to the principle of interference as regards the silver if you admit the principle as regards the gold. Then he states that there is something akin to protection in our proposals. If he means by that that the silver industry would be protected, my belief is that the silver miners alone would have had no power whatever to force this question upon the American Congress in the way it has been done, unless there was something in it affecting the price of commodities produced by men connected with more important interests than silver mines. The next objection of Mr. Giffen is one of greater importance. He disputes the main proposition of Bi-Metallists, that the steadiness of the ratio between gold and silver in the market for many years prior to 1872 was due to the existence of the bi-metallic ratio of 15½ to 1 in France. If he can make out a complete refutation of that it would be of the greatest moment as against us. According to "The Economist," Mr. Giffen's argument on this point is in brief "to the effect that the ratio was not maintained as "during that period there were not unimportant fluctuations in the "relative values of gold and silver; and that what steadiness there was "is not to be attributed to French Bi-Metallism, because during a large "portion of the time France was practically monometallic, gold having "been driven out of circulation and only silver money left in use." This is an instance of what many of our opponents are in the habit of doing, viz., mixing up the question of a standard with the question of circu-

lation. He says from 1801 to 1850 France was simply a silver using country, and that gold had nothing to do with it whatever, having been driven out of circulation. Nevertheless, even supposing that to be so, the *standard of value* in France was either gold or silver. Now the tables I hold in my hand give in one column the ratio of the London price, and in the other the proportion of production during the first fifty years of the century.

Date.	Ratio		Proportion of production. Gold.		Silver.
1801-1810	15·61	...	1	to	2·97
1811-1830	15·65	...	1	„	2·25
1831-1840	15·67	...	1	„	1·89
1841-1850	15·67	...	1	„	0·92

After the gold discoveries the proportion of gold to silver rises enormously, but the average relative price, not in Paris only, but in London, was $60\frac{7}{8}$, exactly the same as before 1850. What Mr. Giffen means is that the two metals did not circulate until 1850 very completely. Curiously enough I find the same statements appearing in same number of "The Economist." "The whole argument for Bi-Metallism "is made to rest upon the assumption that the two metals can be kept "in circulation side by side, both fulfilling the functions of legal tender. "This coequal use it is maintained is necessary in order to keep the "supply of currency adequate to the world's requirements." No Bi-Metallist maintains anything of the kind, what we urge is precisely the contrary. We say that if the mints are open to an unlimited extent for the coinage of either of the two metals, they will flow in and out, in one place gold, and another silver, as required, and that there is no necessity whatever for keeping the two metals in circulation side by side, the one being as good as the other at the ratio. It has never been suggested that we should have both metals concurrently circulating at the same time. In many countries the basis or standard of value is one thing and the currency another. Scotland and Ireland for instance; so that this objection of Mr. Giffen's is, I venture to state, not founded upon a serious examination of the theory of Bi-Metallism. The third objection of Mr. Giffen is, that he is adverse to catastrophic changes, and that the reversion to a double standard would produce such changes. I believe he would admit that the action of the German Government in demonetizing their silver was a catastrophic change, and he asserts that what we propose to do would be another catastrophic change. What we all fear, however, is a further catastrophic change in a totally different direction. We know that the whole Banking community in America is desirous of repealing the "Bland Bill"; that would be another catastrophic change and of a most alarming kind, bringing down prices enormously. I don't know whether it would be possible for the Latin Union to establish a gold standard, (it is difficult to say), but if that course were followed, Russia or Austria might return to cash payments by means of a gold standard, also, in which case it is fearful to look forward to what might happen.[4] Mr. Giffen does not blink the consequences at all, he says we must expect that prices will

still further decline, and in reference to such further decline I should like to quote from a speech of Mr. Goschen made in 1883, showing the probable effect not only on debtors but on creditors also. "It is a matter "most deserving the attention of economists whether the burden of "taxation on all classes is not being heightened, and the difficulties of "agriculturists aggravated by the causes to which I have referred. The "House may perhaps see in them some causes for that depression which "has alarmed the country so much. It may be that the effect is merely "temporary, as was the case on the discovery of gold, and that prices "will right themselves and thus matters will settle down; but it may be "that important changes are impending in the relations between debtor "and creditor, and that those who are receiving fixed amounts will see a "difficulty in being able to maintain the contracts into which they have en-"tered."[5] I ask any of you, if you do or do not know, that to a certain extent what was predicted by Mr. Goschen has already happened, more especially in the agricultural districts, and in Ireland where contracts can not be enforced. The allusion to Ireland may lead us into politics, but I can not omit it altogether. Within the last few years freedom of contract has been abolished in Ireland between landlords and tenants, and "fair" rents have been settled by judicial bodies, but the tenants now state they are unable to pay those judicial rents, and to quote from my Manchester paper—"this inability must either be due to a fall in prices or else the "declaration is due to a vicious determination not to pay that which is "fair." With regard to other countries, I think it will be seen that the great fall of prices has rendered it extremely difficult for many hardy pioneers of agriculture in the Colonies to pay their interest and farm the country, and no one knows better than I do what an enormous amount of capital has gone out of this country for investments there, or the decreased value of the security for that capital resulting from this falling off in prices.† That which was predicted by Mr. Goschen has already taken place. I will now conclude by thanking you for the kind attention with which you have listened to these remarks, and if before the close of the meeting, any gentleman would like to ask me any questions, I shall be glad to answer to the best of my ability.

Mr. Ralph Heaton: I have much pleasure in moving the following resolution:—

> That this Meeting is deeply impressed with the conviction that the increasing scarcity of Gold in view of the increased demand for it as money, has been an important factor in the prevailing depression of trade, and that a more or less effective remedy may be found, in the remonetization of Silver among leading nations; which would be best effected by an international system of Bi-Metallism.

I should like to make a few remarks of a practical character to meet objections which have been raised when I have spoken on this matter on previous occasions. I am sorry to say some people seem to think if you broach the subject of our currency, you are very little removed from a lunatic asylum or a fool. But after some little conversation with such people, followed by a little reflection, they began to see there was more in it than they had supposed, and that although an important question,

it was a very simple one to understand if they would take the trouble to make the attempt. This is no new question we are springing upon the country; if it was untrodden ground it would be a different matter. We only ask that this country, and more especially foreign nations, should go back to where they were from the commencement of the century up to the year 1873. Although England established a monometallic gold standard she obtained all the possible advantages of a Bi-Metallic currency or a united gold and silver coinage, and it was obtained in this way. The English Mint as you all know is open at any time to take gold and coin it free of charge—gold only. No time is named, it is not stipulated how long the mint authorities shall keep the metal, therefore if money is worth 5 per cent. in the open market, and they keep your gold at the mint six months, there is not much economy. Therefore, in practice no one does take gold to the mint to be coined but the Bank of England, and we commercial people of this country secured our Bi-Metallism by sending bar silver or silver in some other form to continental mints where they exchanged it for you at the rate of $15\frac{1}{2}$ to 1, $15\frac{1}{2}$ of silver to 1 of gold, weight for weight. You could send gold or silver and get it converted into the legal tender of the country either in gold or silver as you desired, silver for gold or gold for silver. We had the benefit of this, and so practically obtained our Bi-Metallism without our English Government spending one penny for the conversion of the metal. Then came the Franco-German war, followed by the war indenmity, paid by France to Germany in train loads of silver, which, at that time, could be converted into gold. Germany was never in possession of so much wealth before, and she thought, or her statesmen thought they would like to follow the English idea and adopt a gold currency. If all the countries in the world were to say gold is the only proper metal for money, we will have nothing but gold, it would be simply absurd, for I should like to know where the gold is to come from. It is not in existence. Why, at the present moment half the population of the world use silver money. (A voice—more than half.) I like to be within bounds and I say one half. Now supposing these silver-using countries were to say we will have gold for our money, it would be an impossibility for them to carry out the idea, the supply of gold is not nearly sufficient to meet such an increased demand. Again, what is the intrinsic worth of gold? Some people say it is always valuable, always intrinsically worth what it passes for. Is that so? No, it is a ridiculous assertion, gold is only valuable for its purchasing power as against other goods which it will reach. Gold, as gold, is worth nothing more than other commodities excepting in this respect. Go into an Arabian desert and find yourself in need of food and drink with a lump of gold as large as this hotel in your possession, and what will your gold be worth there? If you had a barrel of meal and a barrel of water there they would be valuable indeed, for they will support life, but your gold is of no value under such circumstances. Therefore I say gold has no intrinsic value whatever, it is just of value for what it will purchase and nothing further. You know that our large wholesale transactions are carried on with paper

money, and when we wish to settle an account we write a cheque or accept a bill for the amount, these are passed through the banks and that metallic currency never comes into use at all, except for small transactions. For all large transactions are effected by means of paper—a material also having no intrinsic value only for what it will reach for what is written on it. The object of Bi-Metallists is that for the balance of exchanges which must be paid in metallic currency, silver should be placed on the same footing at a rate proportionate to gold. Supposing, for the sake of argument, that we purchase from America corn to the value of three or four million pounds sterling, and they take from us other goods of a less value, the balance is called the balance of Exchange, and it has to be paid in metallic currency. Silver used to be as serviceable for the purpose as gold, but all that has changed in consequence of its unsettled value, and you must now employ gold only. Prior to the year 1873 these balances could be discharged either by gold or silver indiscriminately, and all Bi-Metallists desired was to revert to that state of things. It has been urged in some quarters that the proposed change would benefit very materially certain interested persons, and what if that was the effect, if it injured no one, why should we object to do any one a good turn? The change which took place in the year 1873 was a most serious one in its effects upon trade with our dependencies and was most strikingly exemplified in our dealings with India. I have here a cutting from yesterday's *Times* newspaper containing the report of the proceedings at a meeting in India on the very subject we have met here to-day to discuss, and the report states that the Viceroy himself is in favour of Bi-Metallism. The balance that has to be paid in this country by India for money advanced for public works, railways, irrigation, military stores, &c., the cash payments that have to be made on these accounts are enormous; and I don't know whether you will be surprised if I tell you that in the year 1882 the loss on the Exchange in the Rupee then amounted to about 20 per cent., and that now it amounts to upwards of 28 per cent., equal to four millions of money taken out of the pockets of those remitting the money. So that if anyone in India requires to buy goods made by the inhabitants of this country, which have to be paid for in cash or metallic currency, he has to pay for four tons of iron, copper, or any other material, and he only receives three, equivalent to a duty of 28 per cent., so that three and not four are made by the manufacturers, and thus a decrease in our manufacture. I assure you that we begin to feel it now that it comes to these figures, it is obvious commerce is stopped to this extent. You of course know that the nominal value of the Rupee is 2s., and that it passes for that amount as a legal tender in India, but yesterday Rupee paper was only worth 1s.5½d. on the London market, there is therefore a loss on every 2s. of 6½d. leaving 1s.5½d. only, or more than 28 per cent. I say, as I have said before, who can it hurt? and how can it hurt them to go back to the old plan? Monetary Conferences have been held in Paris one after the other, and England has sent delegates to attend those conferences. But what have been their instructions? At the Paris Conference 1881, the delegate

from Great Britain, the Hon. C. W. Fremantle, said "His instructions did not permit him to vote on the questions that might be submitted;" and the delegate of British India, Lord Reay, said "Its delegates were not authorised to take part in the votes of the Conference." The financial official people of India are all against the present arrangement and are asking the Government to go back to the old plan. Let us take their advice, they know where the shoe pinches and what is wanted, but our own statesmen in England either don't or won't understand the question. Only last year, I think it was, that Mr. J. K. Cross was asked some question about the relative value of silver in India and gold in England, when he replied that the price of silver in India had no more to do with the price of gold in London than the price of butter in Bombay affected the question of cheese in London. Why the difference is 28 per cent.; does not that mean a difference in these? Now let me explain to you how this matter interferes with our largest industry. I refer to agriculture. The rupee still passes in India. It is the only coin they take. People buy Indian wheat for the rupee, the nominal value of which is 2s. The wheat is then brought to this country and sold for gold. They take this gold into the market and buy rupee paper, at 1s.5½d. Was not that a factor in the depression of agriculture in this country? (Hear, hear.) And is it not important to the agriculturalists and farm labourers in this country also? And can it hurt them? Of course it does, to this extent. Then why not go back to where we were? I want a plain answer to that plain question. The same thing happens in South America. There they have borrowed money from this country for public works, railways, gas works, &c., believing that they could pay a just interest on the loans, because silver had then been sold from time immemorial at 61 pence per ounce, and they would have paid this interest, if this great disorganisation in currency matters had not occurred and lowered the price of silver all over the world, and, what is worse, it having no fixed value as before. We hear people say, but how could this proposed silver standard be legalised? How was the issue of bank notes legalised? How was the issue of little pennies instituted, and the large copper one withdrawn? Why, the Government said, let it be so, and it was.[9] Such silver, if legalised, would go abroad, for the purpose of settling the balances of exchange. It need not be used for internal currency at all, either here or in India, but serve for remitting the unequal balances of exchange in India. Governments have only to set a value on silver by legislation, and that value it will have. The commerce of the world would be facilitated, and everybody would be benefited, and, so far as I can see, no one hurt. Some people object to the proposed change, on the ground that owners of silver mines would be benefited. Well, I should be glad to see them benefited, if all other classes received an equal benefit. It can do no harm to return to the old system, and I firmly believe that, if the proposals of the Bi-Metallists are adopted, the result will be found to be beneficial to all classes and all nations, by the extra facilities it will give to the commerce of the world.

Mr. J. P. Turner: After the very able address you have heard from Mr. Grenfell and the pertinent remarks Mr. Heaton has given you, I shall not trouble you with a speech, as I hope there are gentlemen in the room who will have observations to make or objections to urge which may promote enquiry. I will, however, give just one illustration as a contribution to comprehension of this great question. A steadily increasing supply of gold and silver has now become as much a necessity for our artificial state of civilization to continue prosperous, as is a due supply of rain for the products of the earth, and if we deprive ourselves of a certain quantity of either metal, suffering must result. The French mint laws ruled the exchanges all over the world from the beginning of the century to the year 1873, that was a generally admitted fact, until that year silver and gold were married together, so to speak, in as much as they passed all over the world as one metal, always exchanging at 15½ to 1, 15½ of silver to 1 of gold weight for weight. You have an apt illustration, if you take a torrid country and there make two reservoirs for water, supplied from different sources, but connected together by a canal, so that if one suffered from an insufficient supply the other might have a superabundance, and thus the level in both would be maintained more certainly and equably, but, if this canal were destroyed and one of the reservoirs discarded, from a prejudice in favour of one only and a belief in its efficiency, that country would probably soon suffer from drought. Just such a result has happened as between gold and silver, from the demonetization of the latter over so large an area, we have not gold enough for the uses of the world, while there is a reservoir of silver only partially in use that would remedy this misfortune if accepted as international money, side by side with gold at a fixed ratio between them.

Mr. Madeley: In the remarks I am about to make, I speak from the standpoint of a merchant of nearly 30 years experience in the Indian trade. I propose to shew you what has been the effect of the depreciation of silver upon that trade within my knowledge. Mr. Heaton has told you that the par value of the Indian Rupee is two shillings and I am able to tell you that during the years 1861 and 1862 the average selling price in London of a bill drawn on India for Rupees was one shilling and elevenpence farthing per Rupee. In looking up my old records of the course of exchanges, my investigation has however brought out the fact that during the years 1867–73 (my records for several previous years having been destroyed), there was an appreciable reduction (proximately one penny) in the average selling price of the Indian Rupee in London, and this circumstance I feel bound in fairness to name, since it occurred prior to the demonetization of silver by Germany, and cannot therefore be attributable to that cause. From that time, however, there has been a continuous fall in the selling price of the Indian Rupee, so that last week it touched the low figure of one shilling and fivepence. Now, many of my friends to whom I have spoken on the subject of Bi-Metallism and exchanges have said, "we don't know anything about these subjects, what do these terms mean?" Well, that is just what I am trying to shew you. Suppose a merchant ships £100 worth of goods to India, the

par value of which in Indian currency would be Rupees 1000, and which in 1861–2, the exchange then being 1/11¼ per Rupee, would have cost the Indian customer 1032¼ Rupees. Last week, owing to the enormous depreciation in the value of silver in the fourteen years which have elapsed, the cost to him would have increased to 1411¾ Rupees. To put it another way. I will take the cost of a ton of Welsh bar iron, which, in July 1870, was £7, and the exchange at that time 1/10⅛ per Rupee, the Indian customer would have had to pay a little under 76 Rupees for it. Last week, the same ton of Welsh bars could be bought in London for £4 15s., yet, through the exchange having fallen to 1/5, the cost to the Indian customer would be a little over 67 Rupees, so that he would have to pay within 9 Rupees of the same price for his ton of iron, whilst the English manufacturer produced it for £2 5s. less money. Thus the Indian consumer only saves 9 Rupees, whilst the English manufacturer loses £2 5s. Another way in which trade has been seriously injured, is by the constant and considerable fluctuations which now take place in exchanges, and which appear to be an inevitable accompaniment of the fall in the value of silver.[6] A Merchant will receive an order, say to deliver a ton of iron in India for 80 Rupees, and after making his calculation, leaving him a profit of 2½ or 5 per cent., he may find, by the time he has made the shipment, that exchange has so varied as entirely to destroy his profit, or even leave him a loser. Orders from Indian customers are constantly being countermanded in consequence of falls in silver value, and my traveller there reports to me as a matter of fact, that the natives expect the prices of their imported goods to be reduced by our manufacturers from time to time, to counterbalance the increased cost to them arising from bad exchanges. This is a nice prospect for the British manufacturer. I have in my hand a report of the Annual General Meeting of the Chartered Bank of India, Australia and China, held in April last. The Chairman on that occasion said :—" The year has been one of considerable anxiety to us " all here. Silver has continued to be one of our chief troubles, and as " you are aware, has rather affected us as regards our profits, but " fortunately we have been enabled to provide for the depreciation in the " value of silver out of our earnings. You are well aware that we have " been for years providing for this, and I think that we may congratulate " ourselves now in having got rid of that bugbear, although at a cost " from first to last of considerably more than £100,000, which might " have appeared in our reserve fund or been added to our dividends. " . . . . . It is remarkable that this country should be the main " obstacle to an arrangement with regard to silver currency, looking at " the magnitude of our financial engagements in India, and at our " immense trade with that as well as other silver-using countries. I am " one of those who do not think it would be of much consequence if " silver instead of gold were kept stored in the Bank of England, or in " the coffers of other banks of issue against their ordinary note circu- " lation. Indeed I think much more than this might be done for and " with silver by international agreement in view of the fact that the

" great powers of Europe jointly guarantee Egyptian bonds. The Royal " Commission on Trade may probably take up this subject, and certainly " it is one worthy of their consideration and investigation, seeing that " something like one half of our total exports is sent to silver-using " countries. I have in my hands a memorandum of the exports to " silver-using countries during 1885. The aggregate, if we include the " United States and countries of the Latin Union, was £104,000,000, " and the total exports during the year to all places amounted to " £213,000,000," so much for its effect upon banking operations. I have spoken hitherto in regard to India, and I now wish to make a few remarks about Java, where I also trade. Java is a silver-using country, and this silver question does not trouble us there, and for some time I could not understand why, so I went to one of the Exchange Banks and asked the question. The answer was—" Oh, the reason is simple enough, Java is a Dutch colony and Holland has a gold standard, consequently the difference in exchange does not arise." Well, we know, of course, that Java was at one time an English colony, and that it was ceded to the Dutch,—the commercial effect of which appears to be that whilst the trade of this country with her Indian possessions is seriously impeded by the depreciation in the value of silver, the trade between Holland and her colonies is not prejudiced. It would seem, therefore, that speaking of the matter exclusively from a commercial point of view, it would have been of great advantage to the traders of the world if India had also been ceded to the Dutch. I hope the meeting, however, will not imagine from these remarks that I am a separationist. I trust I have not wearied the meeting, and that what I have said may be of assistance to gentlemen present in coming to a decision on the important question which is before us. I cordially support the resolution and agree with the objects desired by the promoters of this meeting.

Mr. Thomas Wilson : I fully agree with what Mr. Grenfell has said in reference to the effect this question has upon the working classes. If it affects the working classes, it must also affect the commercial and manufacturing classes of this country, because we know that labour is the great source of wealth. Our present currency system has been called a one-legged system. You may call it a one-eyed system if you like. It has no doubt most seriously interfered with the business arrangements of all mercantile men, and it is generally admitted that it has caused depression of trade and great depression in the prices of commodities. Now nothing that operates unjustly and injuriously on the trade of this country and our colonies should be allowed to continue, and if it is thought that a return to Bi-Metallism would be advantageous to the country at large, all classes should immediately insist upon a return to a double standard. Statesmen and politicians may talk as much as they please, but this is a practical question and it requires a practical remedy, and I therefore support most heartily the resolution before the meeting, because I believe the re-introduction of a Bi-Metallic system of currency would remedy to a great extent the evil from which we are suffering.

Mr. J. W. Tonks : I rise to propose the following resolution :—

> That a copy of this resolution be forwarded to the Right Hon. W. E. Gladstone, M.P., the Earl of Iddesleigh, President of the Royal Commission on the Depression of Trade, and to the Local Members of Parliament.

I think no stronger arguments can be used in support of this resolution than the remarks that fell from Mr. Grenfell at the outset of his address that the British Government on several occasions have permitted their representatives to take part in monetary conferences on this important question, but sent them with their hands tied and their mouths closed. When we know that other nations of Europe and the United States of America are only too anxious to settle this question on a Bi-Metallic basis, and that of these great commercial centres, England alone stands in the way. We have I think the very strongest argument in favour of agitating and continuing to agitate until this question is considered and dealt with in some direct way by the Government of this country. It has been said that if we return to Bi-Metallism England would immediately be flooded with silver, but if it was generally known how silver would circulate under such a system to those nations that now chiefly use it, and that other nations are not only willing but most anxious to settle this question, feeling how important it is not only to their own interests but to the commerce of the world, I think that objection would be entirely removed. Then again, look at the importance of the question in its bearing upon our trade with India. We have two hundred and sixty millions of fellow subjects there. We have large commercial transactions with China, the various States of South America, and other silver using countries, and I think few of the general public are aware of the extent to which at the present day our trade with those countries has fallen off in consequence of the constantly fluctuating rates of Exchange. Mr. Madeley has referred to this matter as affecting the Birmingham merchant, but it is important also to show that it affects, and very seriously affects, the Birmingham and Manchester manufacturer. As an illustration take the Manchester cotton trade. We know how the manufacture of cotton is progressing by leaps and bounds in India, and that is not to be wondered at when we consider that the Bombay cotton manufacturer has an immense advantage over the Manchester manufacturer in this ugly question of exchange. Indeed he gets rid of the difficulty altogether so far as the cotton trade in India is concerned. To go further, I was told at a recent meeting of the Association of Chambers of Commerce that the Manchester manufacturer is now feeling this Indian competition very seriously, and that not only is the Bombay manufacturer supplying to a very large extent his home market, but he is exporting cotton very largely to China and other silver using countries where the rupee is taken at par, thus giving the Indian manufacturer an advantage over his English competitor of something like 25 or 28 per cent., which is the difference in the value of exchange at the present time. It in fact operates as a protective tariff against the export of English manufactured goods to India, and other silver using countries,

amounting to the difference in the rate of exchange. Then as regards jewellery, I have been told that this 25 or 28 per cent. protective duty affects that trade in India to a very serious degree, the buyers now only purchase samples of new patterns saying that they can get the goods made quite as well by Hindoos, and in doing so they save the loss on exchange. Many gentlemen present could no doubt give similar instances of the manner in which this question affects the particular industry they are connected with, and I hope that the English Government will shortly wake up to the importance of this great question, and not on future occasions send their representatives to International Monetary Conferences with their tongues tied and their hands tied, but will take up the matter as behoves the Executive of a nation which depends so largely for its existence upon the commerce of the world.

Mr. W. H. DUIGNAN: I have much pleasure in seconding the resolution. At the same time I venture to suggest that unless we carry our efforts farther than is indicated we shall accomplish very little. This Silver Question affects the welfare of the country more than any political question, and is even above what Mr. Grenfell terms "The disruption of the Empire." If we wish to establish a double standard we must bring the matter within the range of "practical politics." In 1879 Mr. Gladstone explained to us the meaning of this phrase. He said that in 1866 the Disestablishment of the Irish Church was dead, but the Clerkenwell explosion and the murder of the Manchester policeman brought it within the range of "practical politics." Dynamite and assassination are not in our department, and we must resort to another species of force? The force of public opinion. We must agitate, and educate the working classes. They are deeply interested, and they are a power in the land. For some time they benefited by falling prices, but now they suffer from them. All over the country works are closing, wages are lowering, and employment is getting scarce; thousands of men are unable to obtain work on any terms, and their families are starving. If we can persuade men (as the truth is) that they are impoverished or starving because the Government will not make good currency laws, something will come of it. I have recently been invited by several workmen's associations to address them on the subject, and I have met very intelligent and appreciative audiences, and have found no difficulty whatever in conveying the facts to their minds. We must also educate our Members of Parliament, and make it a hustings question. I tried to do so at the last election, and found my three representatives in great need of information, and sadly behind their constituents. Cobden told us years ago, that no reform of any magnitude could be obtained unless the people resolved to secure it, and totally disregarded the convenience or existence of political parties. This is still true, Governments, whether tory or liberal, are deaf, and yield only to force—force of some kind—and unless we use it we shall be disregarded, or only listened to, perhaps, when half the employers of labour have passed into the Gazette, and the people are clamouring in the streets for bread.

The resolution was then put and carried unanimously.

On the motion of the Chairman, seconded by Mr. Lord, a cordial vote of thanks to Mr. Grenfell for his address was passed.

MR. GRENFELL: I thank you extremely for your hearty vote of thanks. I can assure you that this has been the most unanimous meeting I have ever attended on this subject. The only fault I have to find with it, is that I have not had the pleasure of answering those very pertinent questions which have been usually put to me after meetings of this character. I am much obliged to you for your attendance.

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† "In Germany, during the last five or six years, agricultural produce has seriously fallen in price, while the land burdens, and notably taxes and interest on land mortgages show no reduction. The distress of the landed interest thus resulting reacts most injuriously on all German trade and industry. Protective duties give no relief, for the fall in prices has outstripped the rate of duties. The landed party now is bent on arresting, if possible, the further fall in prices, and the leaders believe this can only be done by increasing the volume of the currency. This is not their doctrine only, for they cite Mr. Goschen, Mr. Giffen, and other English authorities to show that gold is rising in value through increased demand and diminishing supply of that metal, and they seek to ease the pressure by re-establishing silver as a legal tender in Germany, and urging its re-establishment elsewhere.

"The currencies of Europe have of late remained stationery, if not, indeed, actually contracted. Could they expand anew, commerce would expand with them, and not agriculture alone, but all industries improve in position. But agriculture especially, through a relaxation of Indian competition in the wheat market, now fostered by the low price of silver, the sole Indian currency. It has already led the German Double Standard Association to press in both the Landtag and the Reichstag the draft of a bill which contained the following five clauses :— 1.—Silver money to be made legal tender. 2.—Recoinage of token money over one mark. 3.—Free coinage of silver. 4.—A fixed ratio between gold and silver. 5.—France, the United States, and Holland to be invited to adopt a similar measure."—*Times, February* 5, 1886.

An act was passed June 21, 1798, to suspend the coining of silver ("for the present.") Till that time silver was coined free, and was legal tender by count up to £25 in one payment, and to any amount by weight at 5s.2d. per ounce. From the passing of this act "no more silver bullion was to be coined at the Mint, nor any silver that had been coined there was to be delivered, any law to the contrary in any wise notwithstanding." This practically demonetised Silver in 1798—the ratio then being 15·21 to 1 of Gold. The act of 1816 fully demonetised it, and legalised token silver coins, the ounce of silver being coined into 66 shillings, instead of 62 as before, and its legal tender being limited to 40s. But, says Macaulay, "the great instrument of exchange having become thoroughly deranged, all trade, all industry was smitten as with a palsy." Walpole speaking of it in 1816 says—"the landlord had no rent, the manufacturer no profit, the capitalist no interest, the labourer no wages."—*Walpole's England.*

The fall in silver stimulates the export of wheat from India, because Indian wheat is sold in Europe for gold, and the gold exchanges for a larger number of rupees than hitherto ; but the rupee apparently retains its full purchasing power in India ; and, therefore, the fall in silver practically is equivalent to a rise in the price of wheat. The fall in silver does not stimulate the export of either wheat or cotton from the United States, because American produce is sold in Europe for gold, and, therefore, the price is not affected. The Lancashire cotton trade is paralysed, because Lancashire cotton is sold in India for rupees, and those rupees exchange for a smaller number of sovereigns than hitherto. Therefore, the fall in silver is equivalent, so far as the Manchester exporter to silver-using countries is concerned, to a fall in the price of cotton. But a check given to the Lancashire exports of cotton goods necessarily lessens the Lancashire demand for raw cotton. —ED. *Statist, October* 31, 1885.

APPENDIX.

1.

As the production of gold and silver taken together is as large as it has ever been, there seems good reason to believe that but for the demonetisation of silver, the level of prices, so far as monetary causes are concerned, would still have remained at the height which had been reached eleven or twelve years ago.—Scarcity of Gold, *Edinbro' Review, January, 1886, page 247.*

I have asked myself, and many statisticians and economists have asked themselves, whether a portion of the agricultural depression is not due to the fact that there is a fall in the prices of almost all farm produce—that there is what can scarcely be denied a considerable appreciation in the value of gold, and that that has had a general effect on the prices of almost all commodities unless there are very special counteracting circumstances. Now whether they take iron, cotton, wool, leather, or wheat, the same rule is found to extend over the whole range of commodities. The farmer who raises a certain quantity of wheat, barley, oats, or whatever it may be, receives for them a smaller price, while on the other hand, his debts for rent (rates, taxes and labour) payable in gold, remain unchanged. If that is so, it is a matter which all politicians who take an interest in agriculture or commerce, ought to bear in mind, and the one natural result will be that rents must fall.—G. J. Goschen, *House of Commons, 20th February, 1883.*

I am now more satisfied than ever of its correctness, that there is something in the present state of prices, more than can be accounted for by changes in prices, such as are due to depression of trade at one time as compared with another. I think we are right in saying there is a permanent appreciation in the value of the sovereign.—R. Giffen *at the Banker's Institute, April 18th, 1883.*

Gold and silver being equalised, assuming the Bi-Metallic scheme to be successful, the future course of prices will be regulated by the aggregate production not of one metal but of the two. The multiplication of commodities out of all proportion to the increased means of production of the precious metals will go on, and falling prices will inevitably result.—R. Giffen, *Contemporary Review, June, 1885, page 820.*

I have spoken against the theory of those economists who argue that the gold standard should be everywhere introduced. I have stated that I saw in it great inconvenience, great danger, and even great disaster. To that opinion I decidedly adhere. I believe it would be a misfortune for the world if a propaganda for a sole gold standard should succeed.—Goschen, *7th Session, 1878, Paris Conference, page 205.*

2

Condensed from the Supplement of the "Bullionist," May 29, 1886, *in reply to* Mr. Giffen, *at the Banker's Institute.*

Mr. Schmidt.—The argument that Bi-Metallism is wrong because the interference of Government with regard to the standard is wrong is a point for us. But Mr. Giffen is aware of that, and he does not venture to be very explicit on that point. But he doubts in the fitness of the Government, more particularly of a stupid Government, by which is meant an independent modern democratic Government like England. France has been for 70 years a Bi-Metallic country, under the Empire, the King, and the Republic. The question at issue between

us affects the years between 1820 and 1850. Mr. Giffen says that France had more silver than gold, and that during those years she did not keep up the ratio. I admit she had much more silver than gold, but I do not admit that she did not keep up the ratio. No doubt, under certain circumstances, during those years, had the little gold she possessed been saved, then the Bi-Metallic action might for a moment have broken down. Mr. Giffen adduces the years 1820-50, but the years at issue were really between 1820-34, because from the years 1835-50 Mr. Giffen admits that not only did France keep up the ratio, but that the difference of 3 per mille in the price of gold was the extreme effect produced in France. On the basis of 1 to 16 the United States of America, it is admitted, had sufficient gold to keep up the ratio. Now we come to 1820-34; the *onus probandi* lies on Mr. Giffen, and he gives two tables, the first being a table shewing the premium on gold in France. Mr. Giffen says that during those years there was a premium on gold, and I ask of what? Is Mr. Giffen unaware of the fact that during the years he quotes the premium on gold in Paris was not given on the Mint price on 3,444 francs, but on the Bourse price of 3,434 francs. Sir, that makes a difference of 3 per mille. You will find during those years Mr. Giffen quotes that during the years 1821, 1824, 1825, 1827, 1828, and 1831 gold was really at a discount, on the basis of 1 to 15½. This is a specimen of the facts brought before us to-night, and which, Mr. Giffen says, are as uncontrovertible as his arguments. Under the Bi-Metallic system the world would have had the benefit of the greater production of silver, which instead of being a curse to humanity would have proved a blessing. Mr. Giffen finishes up with a panegyric of the gold standard of England; he is worshipping, in my idea, an impracticable ideal. No doubt the standard character of gold has not been changed for two generations, but during the last decade the standard of gold has appreciated by 20 per cent. or 30 per cent., which is hampering the commerce of the world, notably increasing the number of the unemployed, and thereby laying the seeds of social difficulty.

Mr. Samuel Montagu, M.P.—Well, the last point is whether Bi-Metallism is a remedy for varying prices. Now we never expect 15½ to 1 to be introduced as an immediate remedy. Our primary aim is not to raise the price of silver, but to ensure stability of price. It would not do to take a ratio of 20 to 1, because there would be nothing coined; but silver would soon be in demand again if you restore confidence by agreeing to the mintage. Mr. Giffen can talk with light-heartedness about the fall in prices. Perhaps Mr. Giffen will pardon me, but he may have a perfect knowledge of figures, and yet have but little knowledge of the practice of business. The results of trade he may know, but of trade itself he knows nothing. Now, I have had 40 years' experience of trade in silver in silver-using countries, and during nearly 30 years we have had, practically, Bi-Metallism in this country, and we had Bi-Metallism in this country on the basis of ¼ to ½ per cent. in sending silver to Paris, Belgium, Holland, and Germany, and, if we want it back, we have another ½ per cent to pay; but the profits were then very much larger, and we could stand it in our trade. We had a monopoly of the Eastern trade then, and a half per cent. was nothing. But now, mark, if the Latin Union and the United States were to adopt Bi-Metallism, and England be excluded, we should lose our trade with the East. A difference of ¼ or ½ per cent. would throw our trade into the hands of the United States or France, and we should then beg that the Bi-Metallic Union would admit us, because we could not carry on our trade without it. You will see that Mr. Giffen treats very lightly of our duty to India. We have heard gentlemen declare that India is very prosperous, because there is an enormous increase in imports and exports, but it is all fictitious; the basis is silver, and if India should want to sell any silver, she could not sell it at more than the half-price she buys it at. They would buy it, perhaps, to make coal-scuttles.

Mr. Samuel Smith, M.P.—I am one of those who hold that the Bi-Metallic system of France and the Latin Union was the main agent in preserving the ratio between gold and silver for the 70 years which have been so often alluded to. Mr. Giffen calls in question the action of the ratio from 1820 to 1850, a period of

30 years. Now what would have been the effect in the year 1820 had France followed the policy she adopted in 1873—had Germany adopted the policy she followed in 1873? Suppose France in 1820 had closed her mint against the coinage of silver, and had taken the advice of Mr. Giffen, who holds that the gold currency on the whole, is probably the best, and supposing she had held that the Bi-Metallic system was incapable of maintaining the value of silver—supposing she had closed her mint in 1820 against the coinage of silver, and Germany had sold her silver, and adopted a gold currency—would the premium on gold have been 1 or 2 per cent.? I venture to say the premium would have risen to 50 per cent. The premium on gold has risen 25 per cent., compared with silver all through the period of 12 years that has elapsed since France closed her mint to the coinage of silver. I say it was the free mintage of silver in France during that long period, that virtually kept the metals tied together. Now Mr. Giffen in his paper rather ingeniously called attention to what he called the ratio, but he leaves out of account the vital question of free mintage. The ratio is nothing at all without free mintage ; *it is the free mintage, the power of melting the metal without limit, that, so to speak, drives the machinery;* for you cannot separate them, they are one and indivisible. What I urge is this, that during the long period from 1820 to 1850 silver was produced more largely than gold before the Bi-Metallic system virtually tied the two systems together and kept silver from falling in relation to gold. Then comes an entire change. A flood of gold broke over the world. If our Mono-Metallic friends had been consulted in 1850, I have no doubt they would have advised us to demonetise gold. The world was wiser, and did not demonetise gold. The Bi-Metallic ratio was adhered to in Europe, and the prodigious quantity of gold which was produced was beneficial all over the world, without breaking the tie which joined the two metals together. If the policy of Europe towards gold in 1850 had been what it is now towards silver, you would have seen a fall in the value of gold of 50 per cent. compared with silver. In the twenty-five years which followed the discovery of the gold mines, suppose England had demonetised gold as Germany has done silver; and suppose France and all Bi-Metallic countries had ceased to coin gold. I ask you, what would have been the ratio to-day? The ratio of gold to-day would have been one of 7 and 8 of silver to 1 of gold. Gold would have fallen and silver would have risen to a premium in the ratio to-day of 7 and 8 to 1. What would have been the effect on trade? We should have passed through two convulsions, a convulsion during the silver period and another convulsion during the gold period. We avoided both. The trade of the world went on unconscious of these great changes. The trade of the world never became conscious of the disturbances till the foolish changes initiated by Europe ensued. The business of the world is to hold the scales even between the two metals. You refused to do this, but now appeals are being made to the various Governments of the world to coin only gold ; and if we are to use the word protection at all, we are surely protecting gold and not silver. With regard to the last point, I think it is the most important of all—the bearing of Bi-Metallism on the general fall of prices. I consider Mr. Giffen's is one of the most powerful arguments in favour of Bi-Metallism. What is the fall in prices? According to Mr. Giffen's own very able paper it must be about 40 per cent. Of that 40 per cent. no doubt a large part is owing to the appreciation of gold. Now, during the period from 1850 to 1873 we had the same causes to produce a fall that we have now, the same increasing multiplication of commodities, the same increase of machinery, and the same development of quick communication all going on in those years. Then, why did not prices fall? I believe in the last fourteen years that the fall of prices is mainly owing to the increase of the purchasing power of gold. They seem to ignore that in civilised society there are such things as national debts, as enormous mortgages, permanent loans, monetary balances, and various things spreading over long periods of time, covering a large part of the income of this country, all of which in this country are payable in gold. We have first the national debt, then we have the immense amount of mortgages on real estate in this country and Ireland, which now represents a large proportion on the whole property. Now conceive what the effect of this change

in the standard of value is. It means that the *money-lending classes are drawing in*, at the present time, *20 per cent. more than they are entitled to.* On the other hand, the *borrowing classes*, who represent the great mass of the industrial communities, the people who toil with their brains in order to increase the wealth of the country—they are being fined to the extent of 20 per cent. more than they ought to. And there has been such a huge decline of value of all kinds of property, which I believe amounts to 40 per cent. ; *but the mortgages remain the same.* The result is that the property is virtually passing into the hands of the mortgagees. *You are perpetrating unconsciously one of the most cruel acts of injustice ever perpetrated in any country*, and a portion of the depression of trade which we heard so much of arises from this fact. The same cause is producing the same result in America, and the very same cause produces the same result in France and Belgium, and those labour quarrels and socialistic movements are intimately connected with it. I stand in amazement when I see men like Mr. Giffen talking so freely about halving the value of prices. He tells us that if we expel silver altogether—and we are on the road to expel it, and it is only a question of time when silver will cease to be used as money in all parts of the civilised world—we will ultimately have halved prices. Mr. Giffen speaks of that as a matter of no importance, whereas it may be *the beginning of the greatest confiscation of property the world has ever seen.*

Mr. Giffen.—A great deal has been said about what the effect of the re-introduction of the Bi-Metallic ratio would be. That is a point which I have left altogether undiscussed in this paper, but it is a point upon which I have been always very careful not to express an opinion, because I am bound to admit, although I have thought a deal about these subjects, *I am not at all clear as to what would happen if the Government were to introduce the Bi-Metallic ratio. A great many people seem to think that the two metals would go on being used pari passu, but I must say I do not know what would happen.**

The effect of the reduction in the quantity of money has always proved highly injurious to the general interests of the community,—taking wealth from some individuals or classes, and giving that wealth to others, in mere consequence of a change in the value of money,—owing to what is admittedly a defect and fault in the standard of value. It is, in fact, a transfer of property for which the gainers and losers are not responsible,—which the former has done nothing to earn, and for which the latter has done nothing to suffer. It is an act of robbery (so to speak), due to the law itself, as suffering inflicted upon individuals, or upon whole classes, owing to the defective system of civilization under which they live,—and which, though no single nation can alter as the law of the world, each community has it in its power to remedy within its own bounds for its own commonwealth.—New Golden Age, *Vol.* 2, *page* 245.

3.

The President (M. Leon Say), felt it his duty, following the example of Mr. Goschen, to give to the Conference some explanation of the monetary policy pursued by France in later years. The honourable delegate of England has rightly said that if we have in theory the double standard, we do not have it in practice, inasmuch as the privilege, formerly enjoyed by private persons, of having silver coined at the mint has been withdrawn. The same remark is equally true of the other States of the Latin Monetary Union. Was it a step towards the gold standard, or a provisional condition, which would permit us to avail ourselves of the favourable moment for returning to the system of the double standard ? The Government clearly explained its position on this point. It declared very categorically that we were not moving toward the single gold standard ; we are, in its view, in a condition of expectancy, from which we shall not move, except for good reasons when they shall show themselves, and then probably to re-enter

* For a full report of this meeting see *Journal of the Institute of Bankers*, June, 1886. Blades & Co., 2s.6d.

into the system of the double standard. It certainly would not serve our purposes to withdraw legal-tender power from such a mass of silver, which circulates in France as legal money, and to throw it out upon the metal market as mere merchandise. Such an idea is inadmissible.—*3rd Session, 1878, Paris Conference.*

England by maintaining a single standard, imposes it in reality on all other nations, and brings upon herself and on the world at large incalculable evils; but, in addition to this, she wholly extinguishes that noble ideal from whence a general harmony of interests and the fraternity of nations should spring, Free Trade.—The Economic Crisis. Emile-de-Laveleye. *Contemporary Review, May, 1886.*

4.

If all States should resolve on the adoption of a gold standard, the question arose would there be sufficient gold for the purpose without a tremendous crisis. There would be a fear on the one hand of a depreciation of silver, and on the other of a rise in the value of gold, and a corresponding fall in the value of all commodities. It was better for the world at large that the two metals should continue in circulation, than that one should be universally substituted for the other. At present there was a vicious circle, States now afraid of employing silver on account of the depreciation, and the depreciation continued because States refused to employ it.—G. J. Goschen, 1878.

If other States were to carry on a propaganda in favour of a gold standard and the demonetisation of silver, the Indian Government would be obliged to reconsider its position, and might be forced by events to take measures similar to those taken elsewhere. In that case a scramble to get rid of silver might provoke one of the greatest crises ever undergone by commerce.—G. J. Goschen, *3rd Session Paris Conference, 1878.*

During several centuries after the fall of the Roman Empire, as also during the comparatively short period between the years 1810 and 1830, and indeed onward to 1850, the diminished or inadequate production of the precious metals weighed like an incubus upon the trade and industry of the world—as if, cramped and fettered by invisible bonds, a slow decay overtook the energies of mankind. The monetary contracts, notably leases and mortgages, and including all kinds of ordinary debts, remain nominally of the same amount, but their real amount and value is raised in proportion with the extent of the reduction of the quantity and the rise in the value of money. When the supply falls short, whether by a diminished production of the precious metals or owing to that production being outstripped by the growth of human requirements, the broad result is that every one finds his property falling in price or money value, except the capitalists, who hold their wealth chiefly in the form of money itself. There begins a universal, or all but universal, fall in the price of commodities, the produce and outcome of labour. It is a truth that a change in the value of money, due to a change in its quantity, is most difficult to ascertain. Nevertheless there is the fact that prices are falling and that profits are falling with them. Sometimes men call it a depression of trade, and having given it a name, they think they know all about it.—Patterson's New Golden Age, *Vol. 2, page 248.* (Blackwood & Sons.)

Reviewing this picture of well nigh universal distress—prevalent alike in Europe, all over the New World, and in its Islands, and also in India—Mr. Jacob remarks, there must be some general cause producing such extensive effects, and what conceivable cause is there operating so universally and under the most various and opposite circumstances save that "decline of the mines and increased application of their produce to other purposes than coin," which, as he says, then "proceeded with simultaneous progression." Prices fell continuously and severely throughout the entire period from 1810 to 1852, in which latter year the new gold came to terminate the dearth, and to happily reverse the monetary position of the world. For about twenty years prior to 1848, says Mr. Newmarch, the annual supplies of gold had been insufficient to meet the wear and tear of the coin in use.

Professor Jevons says, between 1809 and 1849 prices fell in the ratio of 100 to 41: a rise in the value of money, and consequent depreciation of labour and produce to the extent of 59 per cent.; and the last years of the dearth were the worst of all, in 1849 to 1852 prices were unprecedentedly low. Of our own country M. De Laveleye says, this period of 1820 to 1830, which should have been one of unparalleled prosperity, was characterised on the contrary by cruel distress, the fall of prices was so severe that Brougham proposed to reduce taxation proportionately, and in 1822 the idea was put forward of reducing the sovereign to 14s. Agriculture and general industry suffered alike.—PATTERSON'S NEW GOLDEN AGE, *Vol. 2, page 203.*

Java is a Dutch possession, and offers the most remarkable example of what Bi-Metallism can do on behalf of a Colony. Whilst the rupee of India has declined by 25 or more per cent., and the exchange fallen from say 2s. to 1s.7d., the Dutch florin and the Java exchange remain unaltered, and our trade with Java has suffered but a moderate decline. The reason is obvious. The parent country, Holland, although hitherto under a silver valuation, has adopted gold as legal tender in the Bi-Metallic proportion of 1 to 15½; so that the exchange between Holland and England, for instance, remaining at its par of about £1 to 12 Dutch florins. Therefore whether Java remits produce or florins to Holland or England, or England be paid in drafts on Holland, there is no loss whatever in the exchange.—SEYD'S DECLINE OF PROSPERITY, 1879.

5.

Economists will accordingly ask themselves what result, if any, is such a phenomenon likely to have produced? I think there is scarcely an economist but would answer at once—"It is probable, it is almost necessary, it is according to the laws and the principles of currency, that such a phenomenon must be followed by a fall in the prices of commodities generally. Just as a large amount of gold, poured into Europe in 1852 and subsequent years, created a rise in prices, so the counter-phenomenon must produce a fall." Let us now assume what I think is probable enough, that there will be a continuance of the increased value of the sovereign. Two classes would be permanently affected: one is the class which is entitled permanently to receive a given amount of sovereigns. They will be much better off. The class of debtors on the other hand who are bound to pay a given amount of sovereigns for a long period to come, will be much worse off. In the same way as the rise in prices generally is to the advantage of the debtor, so a fall in prices will be to his disadvantage. The question in my mind is this,—how far the State ought, or ought not, to concern itself in the relations between debtor and creditor in any way. That is the only point now present to my mind. It would not, on the one hand, be correct to urge the view that the whole present situation is the result of natural laws as an argument against the propriety of interference. It is true that no State action on the part of England can be cited, (always excepting that she was the first nation in the world to demonetise silver by the Bill of 1816 at the advice of Lord Liverpool), but it would not be true of Europe generally, because, if the fall of prices has been brought about by absorption in Germany, Italy, and the United States, of £200,000,000 in gold coinage, it is by the laws passed by those Governments, *and not by any change in production*, that the serious results indicated have been caused. Therefore I wish to put aside the doctrine, that it is utterly out of the question for States to act, but whether it would be wise in any degree to act, is a matter of a very different nature. Debts have been contracted on the faith of certain national laws, and engagements have been made. Debtors had a great advantage once, when the gold discoveries in America depreciated the prices in gold, but I am afraid they may suffer somewhat now.—G. J. GOSCHEN, *at the Banker's Institute, April 18th, 1883.*

"'England effected in 1816 the delicate operation of the alteration of the standard, and substituted a gold for a silver one, it being thought that gold

fulfilled better—or at least, less imperfectly than silver—the important conditions of portability and fixedness of value.' 'In that the parties probably deceived themselves. In fact, Parliament followed almost blindly the ideas and opinions of Lord Liverpool. This statesman, in opposition to other authorities older—and if I may be allowed to say so, more versed than he in such matters—maintained that the nation was perfectly free to choose between gold and silver. The British legislator of 1816 by no means thought that he was performing an act of so wide a bearing, but on the contrary, he believed he was faithful to ancient traditions.' Then, Chevalier, continuing: 'At whatever point of view I placed myself, whether I regard it as a question of interest, of equity, or of honour, I cannot perceive a great difference between the two processes (demonetisation of silver or of gold), the effects would be the same—equally disastrous—equally condemnable. On some future day, History, when its pen shall be held by judges firmly devoted to the cause of principle, such as was Tacitus for his time, will visit the one or the other of these projects with its severest condemnation.'"—M. Chevalier, *on the Probable Fall of Gold, 1859.*

6.

During the average of the last twenty-five years India had discharged a pound's worth of debt to us by a remittance of 34 lbs. cotton, or 168 lbs. wheat, or 123 lbs. jute, or 192 lbs. rice, or 13 lbs. tea, or 3½ lbs. indigo; but so much harder had it now become for India to discharge that debt, that the pound of debt which required 34 lbs. of cotton now required 44 lbs.; in place of 168 lbs. of wheat it required 224 lbs.; in place of 123 lbs. jute it required 185 lbs.; in place of 192 lbs. of rice it required 288 lbs.; in place of 13 lbs. of tea it required 20 lbs.; in place of 3½ lbs. of indigo it required 4½ lbs. His Right Hon. friend, the Member for Ripon, had alluded to the strain on gold as a disturbing cause before, and it was one which might well make debtors tremble.—Mr. J. K. Cross, *on the Indian Budget, 9th May, 1883.*

The coins in circulation in the West Indian Colonies (excepting in British Honduras and Bahamas) consist entirely of British token silver, which may be tendered to an unlimited amount. Gold becoming over-valued under this system, dollars entirely disappeared, and no limitation having been placed on the tender of British silver coin, it gradually became the only currency of the Colonies. It is obvious that it is to the advantage of the banks to keep up this system, *which gives them an entire command of the exchanges*, and they have hitherto defeated several attempts on the part of the Treasury to induce the Colonies to accept the 40/- limit, which is the law of the United Kingdom.—*Presented to the 1878 Conference at Paris, and signed by* G. J. Goschen.

"The state of exchange is a black cloud behind which there is no sunshine, when all allowance that has been made for the set-offs which a falling rupee can claim in the shape of land assessments and railway rates, the exchange question will still remain a most serious menace to the stability of Indian finance." —*Economist, June 5th, 1886.*

Let us take a parcel of Indian wheat previous to the rush to demonetise silver Indian wheat (which was worth in India what it is worth now) shipped to Great Britain netted, say, £1000. This sum remitted to India at the then Exchange realized 10,100 rupees; whereas, a similar parcel of wheat now—duly allowing for the fall in the value of wheat here since—for, say, £900 nett, which at the present Exchange realizes no less a sum than 12,000 rupees, or 1,900 rupees more than the Indian grower and exporter would have received in days when the stable element was existent.—"The Crusade Against Silver," *Nineteenth Century, June, 1886, page* 890, *by* Ed. Albert Sassoon.

7.

It is a great mistake to suppose that the adoption of the gold valuation by other States besides England will be beneficial. It will only lead to the destruction of the monetary equilibrium hitherto existing, and cause a fall in the value of silver, from which England's trade and the Indian silver valuation will suffer more than all other interests, grievous as the general decline of prosperity all over the world will be. The strong doctrinism existing in England as regards the gold valuation is so blind, that when the time of depression sets in there will be this especial feature:—the economical authorities of the country will refuse to listen to the cause here foreshadowed, every possible attempt will be made to prove that the decline of commerce is due to all sorts of causes and irreconcilable matters. The workman and his strikes will be the first convenient target; then speculation and over-trading will have their turn. Later on, when foreign nations, unable to pay in silver, have recourse to protection, when a number of other secondary causes develope themselves, then many would-be wise men will have the opportunity of pointing to specific reasons which in their eyes account for the falling off in every branch of trade. Many other allegations will be made totally irrelevant to the real issue, but satisfactory to the moralising tendency of financial writers. The great danger of the time will then be, that among all this confusion and strife, England's supremacy in commerce and manufacture may go backwards to an extent which cannot be redressed when the real cause becomes recognised, and the natural remedy is applied.—Seyd's Decline of Prosperity, *page 92, 1871.*

When, as now, thousands and tens of thousands of men are clamouring for employment and cannot find it.—The Rt. Hon. J. Chamberlain, *at Birmingham, July 3rd, 1886.*

8.

The actual increase in the last four years is, therefore, less than £1,000,000; notwithstanding that we eliminated all extraordinary charges from 1881-2, while there has been included in 1855-6 £284,000 for an increase in the pay of British troops rendered necessary by the fall in the value of silver. . . . . This is very small, but I am glad to say that the Government of India telegraphed on Friday that, in spite of the difficulties in Upper Burmah, they had no reason to doubt that the anticipations of the Budget would be fulfilled, unless, indeed, there should be any fall in the exchange below 1s. 6d., the rate on which the cost of our remittances for the year is based. On this point I am bound to admit that we have no feeling of security. No great sale of Council bills has been effected since the 31st March, but those sold have only realized an average price of 1s. 5$\frac{3}{4}$d. I am quite alive to the fact that the fall in the price of silver and of commodities also in this country which has accompanied it is not without compensation in more than one direction to India as a whole. But the seriousness of this question of the exchange to the Government can be realized without difficulty when we remember that every fall of 1d. in the value of the rupee represents to India an increased expenditure of over £1,000,000, and that it is altogether beyond the power of the Government of India single-handed to arrest the causes of this fall. The subject is too difficult to be handled by an amateur, and I shall only say in respect to it that I hope a Royal Commission may be appointed soon which will be able to point out a remedy. . . . I hope that in the coming year the estimate of receipts will not fail, and that it may not be necessary to diminish the expenditure, especially upon useful works. The Government of India have been obliged to postpone many works which they would have liked to have carried out on account of the construction of the frontier railway, but when that has been completed it is hoped that they may be able to resume the expenditure of those productive works which add so much to the resources of India and do so much to improve the condition of the people of India. . . . . The noble lord had asked whether the small surplus of £182,000 estimated on this year's accounts would not be swallowed up by the fall in the exchange value of the rupee. It was the case that if the fall went on the estimated surplus would probably become a deficit.—Mr. S. Howard, *Secretary for India, June 22, 1886. Times Report.*

As to the silver question, a large amount of evidence had been taken by the Royal Commission, which would be laid on the table of the House in a few days, and it all tended to show that the purchasing power of silver in India remained unaffected. The danger nevertheless was very great that the Indian people might in a panic desire to throw the silver currency upon this country, which would lead to a very serious state of things, and that India would then absorb a still greater quantity of gold, to the great detriment of Western commerce. It was the duty of prudent statesmen to deal with the matter before such a crisis arose. Sir J. FERGUSSON, *22 June, 1886. Indian Debate.*

9.

"An English 4s. piece (in silver or gold, or both) the fifth of a pound, might thus represent the Dollar current in America, and in several of our Colonies ; it would also represent two Indian Rupees and five European Francs, also four German Marcs, conditions which would give it currency in all parts of the world." *—Edinbro' Review, page 395, Oct. 1866.*

Let us now examine the effects of using two such metals. In the first place the purchasing power of either will obviously be less than it otherwise would be, so far as the use of the two metals actually takes place and is not merely permitted by law. . . . But there seems to be no doubt that the prospect of stability tends, at any rate, to be somewhat improved, if the metallic currency is, to a substantial extent, made of two metals instead of one : since the probability is that changes in the supply of the two metals respectively will not be coincident, and therefore the extent of fluctuation caused by the changes in supply within any given period will be less, if the mass of coinage affected is bi-metallic than if it consisted of either metal alone. . . . Nor can I agree with Jevons that the weight of this general argument is really counterbalanced by the past experience of the greater liability to change in the value of silver ; since we know so little of the distribution of the two metals that this empirical law affords slender ground of inference for the future. . . . I therefore conclude that a substantially bi-metallic currency—that is, a currency in which both metals are used to a considerable extent—must be taken to have an advantage in respect of stability. —PROFESSOR SIDGWICK.

There is much discussion among economists as to the causes of the low prices. Mr. Goschen, in the House of Commons and in a lecture to the Bankers' Institute last year, attributed them to the scarcity of gold. Mr. Hubbard and others have contended that it is the great multiplication of commodities, due to such influences as extension of telegraphy, great rapidity of communication, and low freights, &c. The two assertions are not in reality contradictory. If there had been more gold produced, prices would undoubtedly have risen or not have fallen, notwithstanding the real abundance of commodities. —EARL GRANVILLE, *7th November, 1884.*

Bankers' Union of Paris and the Provinces Report upon the Monetary Question, 1885.

If the Governments composing the Union arranged to stop the manufacture of cotton goods, will anyone pretend that the price of cotton would not fall, or doubt that it would rise again on the very day when the restriction which depressed it down ceased to operate? Whether it be silver or cotton, the conclusion is logical and inevitable, that the moment when you cease to make further use of it, the price must fall.

The field of action was wide, inasmuch as the inhabitants of the world employing a silver standard are twice as numerous as those who use gold, or rather both gold and silver, the latter bearing an arbitrary value ; being able to buy tea, coffee, wool, cotton, cereals, rice, china, bronzes, lacquer work, and a thousand other objects from the people trafficking in silver, nothing further was required to inundate with these products the unfortunate countries which proscribed silver.

From the time of the law of "the year XI.," which established the ratio of 1 to 15½ up to 1873, that is to say, during 70 years, nothing happened to disturb this ratio. Six milliards of silver entered into the circulation up to the time when in 1850 this metal was exported to India ; from that moment we became inundated with gold, but since 1877 the production of silver has again outstripped gold. It is easy to show that these fluctuations of production would have passed unperceived if in the year 1878 the coinage of silver had not been suspended.

That Mono-metallic countries should maintain that gold or silver are commodities according to the monetary system which they have adopted is fair enough ; gold is, in fact, a commodity in India, as silver is in England ; but in the Bi-metallic countries, where the law recognises in each of these metals the same power of purchase, a franc, whether it be gold or silver, is always a franc.

"The profit on the export of Indian wheat is always so small that the exporters are obliged to operate in very large quantities to obtain any tangible profit ; the exports, moreover, are made principally to fulfil or complete forward contracts, or rather as the only means of payment for the imports of silver."*

The truth is we can now only *buy* from these countries, and we are no longer able to *sell* to them, and this state of things will last as long as the fall in silver continues.

As far as we are concerned we think that as long as two-thirds of the population of the world shall have the silver standard, it is good policy for France to employ the two metals, gold and silver, as legal tender money.

Is the European world expected to submit to a decline of prices rather than abandon monometallic money? Shall the poor be made poorer, and the rich richer, rather than make coins of silver? I fancy not. Something has got to "bust." . . . All right-minded men—no matter what their abstract theories may be—should consider this subject very carefully before they commit themselves to one side or the other. There is much in it : there is commercial depression, there is social distress, there is popular discontent and commotion in it.—Mr. Del Mar, *at the Bankers' Institute, April, 1885.*

The intrinsick value of silver (or of gold) considered as money is that estimate which common consent (or law) has placed upon it.—John Locke.

Were an ounce of gold to fall one-tenth of its present cost of production, or to cost ten times as much labour as it does now, still, while the regulations of the Mint are unaltered, it will be worth, as now, 77/10½.—*Edinbro' Review, vol.* 84, *p.* 326.

"That the same great principles which apply to gold as a standard of value apply equally to silver, or to a joint standard of gold and silver, I will not deny."—Sir Robert Peel's *Speeches, vol. 2, page 666.*

"Gold is every day appreciating in value, and as it appreciates the lower become the prices."—Lord Beaconsfield, 1879.

"The inflation" (say prosperity caused by increased supply of gold and silver), "and the subsequent obstinate depression in certain prices, especially those of coal and iron" (caused by the demonetisation of silver) "are without any approach to a parallel in our commercial history."—W. E. Gladstone, *19th Century, February, 1880, p. 384.*

"1874 to 1878 represents the setting sun of our prosperity."—*Ibid, April 5th, 1881.*

"Had all men but a single creed,
Faithful to God, and just in deed ;
One weight, one measure, corn, and gold,
'Twere better for all a hundred-fold."

The Landgrave Philip of Hesse, *about* 1600.

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* *Parliamentary Paper.*

In the Legislative Council in India, on the 11th of January, 1886, discussing the income tax, two members "considered the time had come when the English Government should take serious steps to meet the evil (of depreciation of silver) by an international agreement," and a third said, "unless a remedy were found, confiscation of a large share of India's accumulated wealth" would result. It was the duty of the Indian Government to concert with other Governments earnestly to find a remedy." The Viceroy "expressed his pleasure in finding the Council, as well as all classes in the country, united in supporting the Government in the present measures."

The despatch of the Indian Government to the Secretary of State on the subject of the silver question, dated February 2nd, and the reply of the Lords of the Treasury, dated May 31st, have been published here, and have attracted much attention. The language and suggestions of the former document afford a further answer to the critics who charge the Indian Government with doing nothing, and show how fully it is conscious of the dangers of the situation. The present state of affairs is described by it as an intolerable financial position, and the despatch goes on :—

"It is affected from day to day by the continuous fall in the rate of exchange. Forecasts of probable expenditure are no sooner completed than they prove worthless; and the best considered arrangements may be upset at any hour by a telegram regarding the probable action of political parties in a distant country, with which India has but slight political or commercial connection. The fall in the exchange within the last year has involved a loss of $2,000,000, and the Government has no guarantee that this will not be more than doubled within a few months."

The despatch then points out that this state of affairs would be an evil of the greatest magnitude in any country, but that in a country like India it is pregnant with danger. The Home Government is strongly urged to take up the matter seriously, and to try and arrive at an understanding with foreign countries. A hope is expressed that even should there appear no prospect of immediate success the question may still be raised, with a view to the formation of a body of public opinion sufficient to enforce a final settlement.

The greater portion of the reply of the Treasury is devoted to a review of the results of the International Conference of 1878, and to the opinions expressed since then by various authorities. Their lordships say that they are anxious to consult the interests of India, but they must first be satisfied what those interests really are. Although the fall in the value of silver has caused a loss of revenue to the Indian Government and much inconvenience to persons who have to remit money from India to England, yet they say many experts believe that great countervailing advantages have accrued to the trade and people of India. It is obvious they add that the Ministry can take no measures for the summoning of a new monetary conference until they have previously determined what policy they should initiate or assent to; and they conclude by saying that the whole subject is now under the consideration of the Royal Commission on the Depression of Trade.

The Calcutta Branch of the Indian Silver Association is circulating for signature a petition to the Viceroy calling attention to various evils resulting from the fall of silver, and praying his lordship to move the Secretary of State to take measures for promoting the formation of an international monetary agreement.—*Indian News, Times, July 12th, 1886.*

The only subject which, if I had remained in office, would have tended to fill me with anxiety is the subject of Indian finance. India does not possess an elastic revenue, and there is a feature in Indian finance, a most mysterious and unaccountable feature, and one which few people are ever able to understand or give any explanation of, and that is the continued fall in the value of silver.—(Hear, hear.) The continued fall in the price of the rupee is undoubtedly a serious and extreme anxiety to the Indian Government; and it will be for you in Lancashire to consider, great as your trade is in India, enormous as your exports are, invaluable to you as that possession is—it will be for you to turn your attention anxiously to that most dark and unfathomable question, apparently, of the relative value of silver and gold; and to endeavour to ascertain by your ingenuity and by your experience whether some policy in the nature of fixing permanently the relative value of these two metals may not possibly not only bring security to Indian finance, but may be the real remedy for our decayed trade, and may be the real remedy for relieving British enterprise and British commerce.—(Cheers).—*Lord Randolph Churchill, March 4th, 1886.*